

TMM Real Estate Development plc
Consolidated Financial Statements

*As at 31 December 2021 and for the
year then ended
with Independent Auditors' Report*

CONTENTS

	Pages
Board of Directors and professional advisors	a
Management Report	b-e
Independent auditor's report	f-j
Consolidated statement of profit or loss and other comprehensive income	1
Consolidated statement of financial position	2
Consolidated statement of changes in equity	3
Consolidated statement of cash flows	4
Notes to the consolidated financial statements	5-39

BOARD OF DIRECTORS AND PROFESSIONAL ADVISORS

BOARD OF DIRECTORS

Mykola Tolmachov

Larysa Chyvurina

SECRETARY

Inter Jura CY (Services) Limited

INDEPENDENT AUDITORS

SPL Audit (Cyprus) Limited

Certified Public Accountants and Registered Auditors

13 Kypranoros str, 2nd Floor, Office 201,

P.O.Box 28860, CY - 2083,

1061 Nicosia , Cyprus

BANKERS

Bank of Cyprus Public Company Ltd

JSC "State savings bank of Ukraine"

PJSC "Bank Credit Agricole"

JSC "UKRSIBBANK"

JSC CB PRIVATBANK

JSC "The State Export-Import Bank of Ukraine"

JSC "FUIB"

RAIFFEISEN BANK JSC

JSC ALFA-BANK

REGISTERED OFFICE

1, Lampousas Str.,

1095, Nicosia,

Cyprus

CONSOLIDATED MANAGEMENT REPORT

The Board of Directors of TMM Real Estate Development plc (the "Company") presents their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as "the Group") to the shareholders for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activities of the Group are the construction and development of residential and business properties mainly in Kyiv and Kharkiv regions of Ukraine.

EXAMINATION OF THE FUTURE DEVELOPMENT, POSITION AND PERFORMANCE OF THE ACTIVITIES OF THE GROUP

The Group's revenue for the year ended 31 December 2021 amounted to USD 6 576 thousand (2020: USD 8 684 thousand).

As at 31 December 2021 the Group's current liabilities exceeded its current assets by USD 5 156 thousand (2020: USD 4 387 thousand). In addition, during the year ended 31 December 2021, the Group generated a net income of USD 124 thousand (2020: net income of USD 326 thousand).

The decline in market liquidity and purchasing power affected the Group's ability to generate sufficient cash flows from operating activities to repay its debt when it falls due.

The Board of Directors has assessed the risks set out in this report and believe that the step that were present in a country specific environment. To mitigate risks that are appropriate and reduce their material adverse effect on the financial performance and financial position of the Group. Therefore:

- (i) the current financial position, as presented in the consolidated financial statements is considered acceptable under the present circumstances;
- (ii) the Board of Directors does not expect major changes in the principal activities of the Group in the short term.

FINANCIAL RESULTS AND DIVIDENDS

The Group's results for the year ended are set out on page 1.

The Board of Directors does not recommend for the dividends to be paid. Net result for the year is transferred to reserves.

MAIN RISKS AND UNCERTAINTIES

Main risks and uncertainties faced by the Group are:

- (i) those related to the political and economic unrest in Ukraine.

The Group's operations are primarily carried out in Ukraine. The political and economic situation in Ukraine has been subjected to significant turbulence in recent years due to the political unrest and military operations in the east. Therefore, operations in the country involve risks that do not typically exist in other markets.

Ukraine has continued to limit its economic ties with Russia, taking into account the annexation of Crimea, the autonomous republic of Ukraine, and armed conflict in certain parts of Luhansk and Donetsk regions. Amid these events, the Ukrainian economy has demonstrated further refocusing on the European Union ("EU") market, realizing the potential of established Deep and Comprehensive Free Trade Area ("DCFTA") with EU, thus effectively responding to mutual trade restrictions between Ukraine and Russia.

In 2020 and 2021 the Ukrainian economy was influenced by certain negative trends, namely: a decline in industrial output, certain instability due to reforms and new legislative initiatives as a result of changes in political power in Ukraine. These factors affect business activity and create risks unusual for markets with a stable economic environment, cause an unfavourable investment climate and lead to an economic slowdown. The inflation rate in Ukraine in 2021 increased significantly up to 10.0% mainly driven by the increase of oil and other raw material prices on the world market (2020: 5.0%). On the other hand, the national currency has strengthened during 2021 (hryvnia exchange rate against US dollar as of 31 December 2020 – UAH/USD 28.2746; as of 31 December 2021 – UAH/USD 27.2782).

CONSOLIDATED MANAGEMENT REPORT

At the end of 2019, news about the COVID-19 coronavirus arrived from China for the first time. In early 2020, the coronavirus spread around the world and its negative impact gained momentum. The global spread of COVID-19 has caused significant instability, uncertainty and economic downturn in Ukraine and the world throughout 2020 and 2021. The coronavirus has spread to more than 200 countries and continues to have a negative impact on the economic situation and the healthcare sector. There is considerable uncertainty about the extent to which COVID-19 will continue to spread, as well as the extent and duration of governmental measures to slow the spread of the coronavirus, such as quarantine, remote work, suspension of business operations, and other restrictions. The Company has taken a number of precautions to minimize risks to its employees, business and working communities, including the organization of remote workplaces and the provision of means of individual protection to its employees. However, the Company's management cannot guarantee that these actions will be effective and sufficient to avoid problems in the Company's operations in the future.

On 24 February 2022, Russian Federation in cooperation and using the territory of Belarus began full-scale military invasion into Ukraine which is the continuation of the Russian-Ukrainian war which was started by Russia with annexation of Crimea at the beginning of 2014 and military operation in Luhansk and Donetsk regions since April 2014.

As a result of the full-scale invasion, the military actions took place in the Northern, Eastern and Southern Ukraine. The airspace was closed for the civil aviation; military and civil infrastructure are regularly subject to missile and artillery strikes. Consequently, on 24 February 2022, in accordance with the Decree of the President of Ukraine №64/2022 "On Introduction of Martial Law in Ukraine", the martial law was introduced in Ukraine for 30 days. Afterwards, the martial law regime was extended to November 2022.

During late March and April 2022 Ukraine regained control over Kyiv, Zhytomyr, Chernihiv, Sumy and partially Kharkiv and Mykolayiv regions. In September 2022 Ukraine secured liberation of almost the entire Kharkiv region and portions of Donetsk region which was followed in November 2022 by liberation of western part of Kherson region including the city of Kherson, thus effectively limiting the area of Russian military invasion to several regions in Southern and Eastern Ukraine.

Despite the martial law and ongoing hostilities in different regions of Ukraine the Group continues its activities in its main markets in Kyiv and Kharkiv regions which were liberated by the Ukrainian Armed Forces as of the date of issuance of these consolidated financial statements. Mentioned regions were significantly affected by the Russian invasion but the Group continued its business without suffering any major losses. The Group expects that the effect of the Russian invasion on its business will be limited.

However, it should be noted that the continuing war and limitations imposed by the martial law still can adversely affect the Group's ability to continue its business activities. Further development of military, political and economic situation depend on the joint efforts of Ukraine and its partners and worldwide community overall but as of the day of issuance these consolidated financial statements it is very hard to predict how the war will end, its possible consequences and influence on Ukraine as a state as well as on companies and organizations and business community in Ukraine and Europe.

Management monitors developments in the current environment and takes, where necessary, all measures to minimise any negative outcomes to the best of its abilities. Subsequent unfavorable events in the battle field, as well as political, macroeconomic and / or international trade environment that can adversely affect the financial position and results of the Group are impossible to predict at the moment.

Management believes it is taking appropriate measures to support the sustainability of the Group's business. In the current circumstances, a continuation of the current unstable business environment could have a negative effect on the Group's results and its financial position in a manner not currently determinable. These consolidated financial statements reflect management's current assessment of the impact of the Ukrainian business environment on the operations and the financial position of the Group. However, future business environment may differ from management's assessment.

(ii) real estate market risk in Ukraine

Starting from the last quarter of 2008, the Ukrainian residential and industrial property markets have suffered a significant fall in demand following the overall macroeconomic turmoil. This resulted in weak liquidity and poor conditions prevailing in the Ukrainian property market. The market prices stabilized in 2010-2013 and increased throughout 2014 - 2021 in UAH terms due to the depreciation of UAH against US Dollar, however, the Russian military invasion adversely affected the overall real estate market, and despite certain

CONSOLIDATED MANAGEMENT REPORT

improvement of the situation especially in Kyiv and Kharkiv regions, currently it is not possible to determine when the market prices can stabilize. But it is not expected that a significant improvement in market conditions will emerge in the foreseeable future given the current situation. Therefore, a lack of availability of mortgages and financing and weak consumption power in the market are expected to continue in the near future.

(iii) uncertainty over going concern

The Group needs to repay USD 10 280 thousand of loans classified within loans and borrowings, liabilities associated with assets held-for-sale and trade and other payables (2020: USD 10 390 thousand) (Notes 24, 25 and 28).

In the end of 2017, the Group commenced negotiations with its largest bank-lender seeking to extend the repayment of debt due in December 2017. In 2018, the Group suggested a restructuring plan to the bank. The plan was agreed by both parties in 2019. It included the following:

- part of the finished goods (apartments) that were pledged with the bank as at 31 December 2017 were to be transferred to the bank based on the agreed price;
- the Group would be selling those apartments on behalf of the bank;
- the Group asked the bank to introduce financing opportunities for the potential customers.

As of the reporting date, the Group's negotiations with its second largest bank-lender were unsuccessful. The lender refused to continue any negotiations with the Group, effectively taking over the Group's properties that were previously held as collateral. The Group considers such actions illegal and decided to bring the lender to trial. In 2020 the Group won the trial in Supreme Court of Ukraine. Further development of the situation is however unclear.

The Group's financial plan for 2022 anticipates a bigger growth in cash inflows from property sales and construction services provided in comparison to 2021. To achieve the growth in positive cash inflow from its operations in 2022 the Group plans the following:

- to sell completed property and property under development on a prepayment basis;
- to participate in tenders for rendering of construction services;
- to sell some of the investment properties and property rights.

The Group's ability to continue operating depends upon its capacity to (i) generate sufficient cash flows from its operating activities; (ii) extend the payment terms of, or otherwise restructure, its interest-bearing loans; and (iii) meet the schedule of its other repayments due in 2022.

USE OF FINANCIAL INSTRUMENTS

The Group's principal financial liabilities include loans, borrowings, trade and other payables. The main purpose of these financial liabilities is to raise financing for the development of the Group's property portfolio. The Group has trade and other receivables and cash that arise directly from its operations.

The Group has not entered into any significant derivative transactions. It is the Group's policy not to trade in financial instruments. The Group's overall risk management program focuses on the unpredictability and inefficiency of the Ukrainian financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. Risk management is carried out by the Group's financial department. The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and foreign currency risk.

Interest rate risk

As at 31 December 2021, interest bearing liabilities had fixed rates, the reasonably possible changes in interest rates could not have a significant impact on profit or loss or equity

Credit risk

The Group is exposed to credit risk from its operating activities (primarily from trade and other receivables) and from its financing activities, including cash in bank.

CONSOLIDATED MANAGEMENT REPORT**Liquidity risk**

The Group's objective is to maintain continuity and flexibility of funding through the use of credit terms provided by suppliers and customers and bank loans and borrowings.

Foreign currency risk

The Group has transactional currency exposure that relates to monetary assets and liabilities denominated in foreign currencies and are attributable to general volatility in exchange markets. Such exposure arises from sales or purchases by the Group in currencies other than functional currency of the Group's entities. The Group has not entered into transactions designed to hedge against these foreign currency risks.

SHARE CAPITAL

There were no changes to the Company's share capital during the year.

BRANCHES

The Company did not operate any branches during the year.

BOARD OF DIRECTORS

Members of the Board of Directors of the Company as at 31 December 2021 and at the date of this report are shown on page (a).

In accordance with the Company's Articles of Association all directors presently members of the Board continue in office. There were no significant changes in the remuneration of the Board of Directors.

RELATED PARTY TRANSACTIONS

Disclosed in Note 29.

EVENTS AFTER THE REPORTING DATE

Except for the events disclosed in Note 34 to the consolidated financial statements and the events disclosed in MAIN RISKS AND UNCERTAINTIES section of this report, no other significant events occurred after the end of the year that have a potential effect on the consolidated financial statements.

INDEPENDENT AUDITORS

The independent auditors of the Company, Messrs SPL Audit (Cyprus) Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be submitted at the forthcoming Annual General Meeting.

By order of the Board of Directors,

Director

Director

Mykola Tolmachov

Larysa Chyvurina

22 December 2022

INDEPENDENT AUDITORS' REPORT

To the Member's of TMM Real Estate Development plc

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the Consolidated Financial Statements of TMM Real Estate Development PLC (the 'Company') and its subsidiaries (together with the Company, the "Group") which are presented in pages 1 to 41 and comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statements of profit or loss and other comprehensive income, statement of changes in equity and cash flows for the year then ended 31 December 2021 and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS's) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, as amended from time to time (the "Companies Law, Cap. 113").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Notes 2 and 33 to the consolidated financial statements, which describe the current operating environment in Ukraine and Note 3 which describes the fact that the Group's current liabilities exceeded its current assets by the Group's current liabilities exceeded its current assets by USD 5,156 thousand. These factors, along with other matters as set forth in Notes 2, 3 and 33 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matter

We draw attention to notes 24, 25 and 28 which describe the Group's liabilities towards its major lenders and the losses occurred as a result of the open legal cases and the restructuring of its debt agreement signed during 2019.

The ultimate outcome of these matters and procedures cannot be determined at present, and no additional provision has been made in the consolidated financial statements for any liability that may result. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgments, were of most significance in our audit of the consolidated financial statements of the current period.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the "Material Uncertainty Related to Going Concern" and in "Emphasis of Matter" sections, we have determined the matters described below to be the key audit matters to be communicated in our report.

Legal cases matter	
See Note 24, 25 and 28 to the consolidated financial statements	
The key audit matter	Auditors actions on this matter:
Provisions on legal cases require the Board of Directors to make judgments and estimates relation to legal cases issues. The Group's companies were involved in several lawsuits with the banks as plaintiffs for the year ended 31 December 2018. The greatest attention was paid to the process with Ukrsofsbank (the current name of the bank is Alfa Bank), which sold the collateral at a public independent auction in 2018. The Group recognized a loss during 2018 and the balance is disclosed in Note 25 for the year ended 31 December 2021. The Group continues to keep its rights in the Supreme Court during the 2020 year.	<ol style="list-style-type: none"> 1. We analyzed the completeness of all court cases and court decisions, where the Group companies act as defendants on the open court portal, and identified the most significant ones. 2. We received the minutes of the results of the SETAM auction, verified them with the results reflected in the Group financial statements. No significant differences were found. Part of the debt to banks is recognized in Note 25, no additional reserves are required for the year ended 31 December 2020 and 31 December 2021. 3. We obtained legal letters from third party (independent). All significant financial impacts have been disclosed.

Going concern	
See Note 3 to the consolidated financial statements	
The key audit matter	Auditors actions on this matter:
The directors are required to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company or Group will continue in business.	<ol style="list-style-type: none"> 1. We obtained the Directors' going concern assessment and assessed whether there are events and conditions that exist that create material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. 2. We obtained and assessed the Group's financial plan. 3. We discussed the issue with the management and review the financial position of the Company as of today and assess whether the use of the going concern basis is appropriate. <p>The Group's ability to continue as a going concern depends upon its capacity to: (i) generate sufficient cash flows from its operating activities; (ii) extend the payment terms of, or otherwise restructure, its interest-bearing loans; and (iii) meet the schedule of its other repayments.</p> <p>The actual outcome of the debt restructuring negotiations and the success of the management plan to increase cash inflows from property sales, taking also into consideration the current circumstances in Ukraine, in order to be able to meet scheduled repayments due are uncertain.</p>

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the consolidated management report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. Our report in this regard is presented in the "Report on other legal requirements" section.



Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal requirements

Pursuant to the additional requirements of the Auditors' Law of 2017, L.53(1)/2017 we report the following:

- In our opinion, the consolidated management report on pages (b) to (c), the preparation of which is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of the Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.
- In the light of the knowledge and understanding of the business and the Group's environment obtained in the course of our audit, we have not identified material misstatements in the consolidated management.



Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of Law L. 53(1)/2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

A handwritten signature in blue ink, appearing to read 'Andreas Georgiou', written over a faint, illegible stamp.

Andreas Georgiou
Certified Public Accountant and Registered Auditor

for and on behalf of

SPL Audit (Cyprus) Ltd
Certified Public Accountants and Registered Auditors

Nicosia, 22 December 2022

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2021
(in thousands of US dollars, unless otherwise indicated)

	Notes	2021	2020
Revenue	7	6 576	8 684
Cost of revenue	8	(5 095)	(4 756)
Gross profit		1 481	3 928
Gain / (loss) on valuation of investment property	17	(31)	764
Other operating income	9	767	1 106
General and administrative expenses	10	(1 434)	(1 410)
Selling and distribution expenses	11	(236)	(229)
Other operating expenses	12	(1 580)	(1 678)
Operating profit / (loss)		(1 033)	2 481
Finance income		-	112
Finance costs	13	(223)	(298)
Foreign exchange gain / (loss), net		775	(1 592)
Profit / (loss) before tax		(481)	703
Income tax (expense) / benefit	15	605	(377)
Profit / (loss) for the year		124	326
Other comprehensive profit / (loss)			
<i>Other comprehensive profit / (loss) to be reclassified to profit or loss in subsequent periods:</i>			
Gain/(loss) on revaluation of property, plant and equipment		2	465
Income tax related to components of other comprehensive income		-	(83)
Exchange differences on translation to presentation currency		(321)	(1 098)
Other comprehensive profit / (loss) for the year, net of tax		(319)	(716)
Total comprehensive profit / (loss) for the year, net of tax		(195)	(390)
Profit / loss attributable to:			
Equity holders of the parent		122	326
Non-controlling interests		2	-
		124	326
Total comprehensive profit / loss attributable to:			
Equity holders of the parent		(70)	(252)
Non-controlling interests		(125)	(138)
		(195)	(390)
Weighted average basic and diluted number of shares (in thousands of shares)		51,084	51 084
Basic and diluted (loss)/profit per share (in US dollars)		-	0,01

The accompanying notes form an integral part of the consolidated financial statements

Consolidated statement of financial position
as at 31 December 2021
(in thousands of US dollars, unless otherwise indicated)

	Notes	31 December 2021	31 December 2020
ASSETS			
Property, plant and equipment	16	3 616	4 308
Property development rights and costs	18	1 353	1 130
Investment property	17	3 796	3 854
Intangible assets		14	14
Non-current assets		8 779	9 306
Inventories	19	10 001	11 257
Receivable under the investment agreement	20	388	374
Trade and other receivables	21	1 210	1 312
Prepayments made	22	142	133
Taxes recoverable		4	4
Cash and cash equivalents		99	60
Current assets		11 844	13 140
Non-current assets classified as held-for-sale	28	2 593	2 422
TOTAL ASSETS		23 216	24 868
EQUITY AND LIABILITIES			
Equity			
Share capital	23	510	510
Share premium		99 191	99 191
Additional paid-in capital		15 450	15 450
Revaluation reserve		756	754
Retained earnings		15 584	15 462
Translation reserve		(128 203)	(128 009)
Equity attributable to equity holders of the parent		3 288	3 358
Non-controlling interests		(78)	47
Total equity		3 210	3 405
Lease liabilities	16		319
Loans and borrowings	24	255	255
Deferred tax liabilities	15	85	790
Non-current liabilities		340	1 364
Trade and other payables	25	8 896	9 230
Loans and borrowings	24	714	361
Lease liabilities	16	1 830	2 302
Contract liabilities	26	659	828
Income tax payable		246	247
Taxes payable other than income tax	27	4 655	4 559
Current liabilities		17 000	17 527
Liabilities associated with assets classified as assets held-for-sale	28,25	2 666	2 572
TOTAL LIABILITIES		20 006	21 463
TOTAL EQUITY AND LIABILITIES		23 216	24 868

Signed and authorized for issue on behalf of TMM Real Estate Development plc on 22 December 2022.

Director
Mykola Tolmachov




Director

Consolidated statement of financial position

as at 31 December 2021

(in thousands of US dollars, unless otherwise indicated)

Larysa Chyvurina

The accompanying notes form an integral part of the consolidated financial statements

Consolidated statement of changes in equity
for the year ended 31 December 2021
(in thousands of US dollars, unless otherwise indicated)

	Attributable to equity holders of the Company						Total	Non-controlling interests	Total equity
	Share Capital	Share premium	Additional paid-in capital	Revaluation reserve	Retained earnings	Translation reserve			
Balance at 31 December 2019	510	99 191	15 450	372	15 136	(127 049)	3 610	185	3 795
Profit / (loss) for the year (restated)	-	-	-	-	326	-	326	-	326
Gain/(loss) on revaluation of property, plant and equipment	-	-	-	465	-	-	465	-	465
Income tax related to components of other comprehensive income	-	-	-	(83)	-	-	(83)	-	(83)
Exchange differences on translation to presentation currency (restated)	-	-	-	-	-	(960)	(960)	(138)	(1 098)
Total comprehensive profit / (loss) for the year	-	-	-	382	326	(960)	(252)	(138)	(390)
Transfer of revaluation reserve, net of taxes	-	-	-	-	-	-	-	-	-
Balance at 31 December 2020	510	99 191	15 450	754	15 462	(128 009)	3 358	47	3 405
Profit / (loss) for the year	-	-	-	-	122	-	122	2	124
Gain/(loss) on revaluation of property, plant and equipment	-	-	-	2	-	-	2	-	2
Income tax related to components of other comprehensive income	-	-	-	-	-	-	-	-	-
Exchange differences on translation to presentation currency	-	-	-	-	-	(194)	(194)	(127)	(321)
Total comprehensive profit / (loss) for the year	-	-	-	2	122	(194)	(70)	(125)	(195)
Transfer of revaluation reserve, net of taxes	-	-	-	-	-	-	-	-	-
Balance at 31 December 2021	510	99 191	15 450	756	15 584	(128 203)	3,288	(78)	3,210

The accompanying notes form an integral part of the consolidated financial statements

Consolidated statement of cash flows
for the year ended 31 December 2021
(in thousands of US dollars, unless otherwise indicated)

	Notes	2021	2020
Operating activities			
Profit / (loss) before tax		(481)	703
Non-cash adjustments to reconcile loss before tax to net cash flows			
Depreciation and amortization		254	314
Loss on disposal of non-current assets	12	21	62
Trade and other payables written off		-	(78)
Impairment of receivables		-	(971)
Finance costs	13	223	14
Loss/(gain) on valuation of investment property		30	(764)
Unrealised foreign exchange loss and other non-cash movements		(768)	(4 472)
		(721)	(5 192)
Working capital adjustments			
Change in inventories		1 747	3 985
Change in trade and other receivables		102	4 390
Change in prepayments made		(1)	23
Change in taxes recoverable, other than income tax		-	3
Change in trade and other payables and provisions		(334)	400
Change in advances received		(135)	(3 011)
Change in taxes payable, other than income tax		96	(1 822)
		754	(1 224)
Interest paid		(173)	(11)
Income taxes paid		-	-
Net cash flows from operating activities		581	(1 235)
Investing activities			
Proceeds from sale of non-current assets		247	688
Purchase of non-current assets		(259)	(38)
Net cash flows (used in)/from investing activities		(12)	650
Financing activities			
Proceeds from loans		335	254
Repayment of loans		(84)	-
Lease payment		(791)	-
Net cash flows used in financing activities		(540)	254
		29	
Net increase/(decrease) in cash and cash equivalents			(331)
Effect of foreign exchange on cash and cash equivalents		10	10
Cash and cash equivalents as at 1 January		60	1 816
Cash and cash equivalents as at 31 December		99	60

The accompanying notes form an integral part of the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2021***(in thousands of US dollars, unless otherwise indicated)***1. Corporate information**

These consolidated financial statements are prepared by TMM Real Estate Development plc (hereinafter referred to as the "Company"), a Cyprus public company incorporated in Nicosia, Cyprus on 30 November 2006 under Cyprus Companies Law, Cap. 113. The address of the Company's registered office is 1, Lampousas Str., 1095, Nicosia, Cyprus and its principal place of business is 49A, Volodymyrska street, Kyiv, Ukraine, 04116.

The Company is a subsidiary of TMM Holdings Ltd, which is also incorporated in Cyprus. 20.3% of the Company's shares in the form of GDRs are listed on Frankfurt Stock Exchange.

The principal activity of the Company together with its subsidiaries (collectively referred to as the "Group") is the construction and development of residential and business properties and provision of utility and lease services in Ukraine (mainly Kyiv and Kharkiv regions). All subsidiaries of the Company are incorporated in Ukraine.

In 2020, the Group lost control over its subsidiary LLC TMM-Vikna. This had an immaterial effect on the consolidated financial statements as the mentioned subsidiary had insignificant operations during the years ended 31 December 2020.

The Company itself mainly acts as a holding company and exercises control over the operations of its subsidiaries.

The list of significant subsidiaries and the Company's effective ownership interest as at 31 December is as follows:

<i>Subsidiaries</i>	<i>Principal activities</i>	<i>2021</i>	<i>2020</i>
Company "T.M.M." (Ltd)	Construction, development and provision of utility services	100.0%	100.0%
"TMM - Budkomplekt" LLC	Production of construction materials	98.9%	98.9%
TMM Holding LLC	Sales of completed properties	100.0%	100.0%

The Group is ultimately controlled by Mr. Mykola Tolmachov.

2. Operating environment, risks and economic conditions**Ukrainian business environment**

The Group's operations are primarily carried out in Ukraine. The political and economic situation in Ukraine has been subjected to significant turbulence in recent years due to the political unrest and military operations in the west. Therefore, operations in the country involve risks that do not typically exist in other markets.

Ukraine has continued to limit its economic ties with Russia, taking into account the annexation of Crimea, the autonomous republic of Ukraine, and armed conflict in certain parts of Luhansk and Donetsk regions. Amid these events, the Ukrainian economy has demonstrated further refocusing on the European Union ("EU") market, realizing the potential of established Deep and Comprehensive Free Trade Area ("DCFTA") with EU, thus effectively responding to mutual trade restrictions between Ukraine and Russia.

In 2020 and 2021 the Ukrainian economy was influenced by certain negative trends, namely: a decline in industrial output, certain instability due to reforms and new legislative initiatives as a result of changes in political power in Ukraine. These factors affect business activity and create risks unusual for markets with a stable economic environment, cause an unfavorable investment climate and lead to an economic slowdown. The inflation rate in Ukraine in 2021 increased significantly up to 10.0% mainly driven by the increase of oil and other raw material prices on the world market (2020: 5.0%). On the other hand, the national currency has strengthened during 2021 (hryvnia exchange rate against US dollar as of 31 December 2020 – UAH/USD 28.2746; as of 31 December 2021 – UAH/USD 27.2782).

At the end of 2019, news about the COVID-19 coronavirus arrived from China for the first time. In early 2020, the coronavirus spread around the world and its negative impact gained momentum. The global spread of COVID-19 has caused significant instability, uncertainty and economic downturn in Ukraine and the world throughout 2020 and 2021. The coronavirus has spread to more than 200 countries and continues to have a negative impact on the economic situation and the healthcare sector. There is considerable uncertainty about the extent to which COVID-19 will continue to spread, as well as the extent and duration of governmental measures to slow the spread of the coronavirus, such as quarantine, remote work, suspension of business operations, and other restrictions. The Company has taken a number of precautions to minimize risks to its employees, business and working communities, including the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021

(in thousands of US dollars, unless otherwise indicated)

organization of remote workplaces and the provision of means of individual protection to its employees. However, the Company's management cannot guarantee that these actions will be effective and sufficient to avoid problems in the Company's operations in the future.

On 24 February 2022, Russian Federation in cooperation and using the territory of Belarus began full-scale military invasion into Ukraine which is the continuation of the Russian-Ukrainian war which was started by Russia with annexation of Crimea at the beginning of 2014 and military operation in Luhansk and Donetsk regions since April 2014.

As a result of the full-scale invasion, the military actions took place in the Northern, Eastern and Southern Ukraine. The airspace was closed for the civil aviation; military and civil infrastructure are regularly subject to missile and artillery strikes. Consequently, on 24 February 2022, in accordance with the Decree of the President of Ukraine №64/2022 "On Introduction of Martial Law in Ukraine", the martial law was introduced in Ukraine for 30 days. Afterwards, the martial law regime was extended to November 2022.

During late March and April 2022 Ukraine regained control over Kyiv, Zhytomyr, Chernihiv, Sumy and parts of Kharkiv and Mykolayiv regions. In September 2022 Ukraine secured liberation of almost the entire Kharkiv region and portions of Donetsk region which was followed in November 2022 by liberation of western part of Kherson region including the city of Kherson, thus effectively limiting the area of Russian military invasion to several regions in Southern and Eastern Ukraine.

Despite the martial law and ongoing hostilities in different regions of Ukraine the Group continues its activities in its main markets in Kyiv and Kharkiv regions which were effectively liberated by the Ukrainian Army at the date of issuance of these consolidated financial statements. Mentioned regions were significantly affected by the Russian invasion but the Group continued its business without suffering any major losses. The Group expects that the effect of the Russian invasion on its business will be limited.

However, it should be noted that the continuing war and limitations imposed by the martial law still can adversely affect the Group's ability to continue its business activities. Further development of military, political and economic situation depends on the joint efforts of Ukraine and its partners and worldwide community overall but as of the day of issuance these consolidated financial statements it is very hard to predict how the war will end, its possible consequences and influence on Ukraine as a state as well as on companies and organizations and business community in Ukraine and Europe.

Management monitors developments in the current environment and takes, where necessary, all measures to minimise any negative outcomes to the best of its abilities. Subsequent unfavorable events in the battle field, as well as political, macroeconomic and / or international trade environment that can adversely affect the financial position and results of the Group are impossible to predict at the moment.

Cyprus business environment

The Cypriot economy has recorded growth in 2021 and 2020 after overcoming the economic recession of recent years. The overall economic outlook of the economy remains favourable, however there are still downside risks emanating from the still high levels of non-performing loans, the public debt ratio, as well as possible deterioration of the external environment for Cyprus.

The current economic environment of Cyprus is not expected to have a significant impact on the operations of the Group as the Group does not hold significant funds in Cypriot financial institutions.

On the basis of the evaluation performed, the Group's management has concluded that no additional provisions or impairment charges regarding the impact of environment of Cyprus are necessary. The Group's management believes that it is taking all the necessary measures to maintain the viability of the Group and the development of its business in the current business and economic environment.

3. Basis of preparation

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and the requirements of the Cyprus Companies Law, Cap. 113.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021

(in thousands of US dollars, unless otherwise indicated)

Basis of measurement

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for investment property and buildings stated at fair value as determined by independent appraisal.

The consolidated financial statements are presented in US dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Normal operating cycle of the Group's property development segment approximates to 36 months; normal operating cycle of the Group's investment property segment equals to 12 months and is classified accordingly.

Going concern basis

As at 31 December 2021 the Group's current liabilities exceeded its current assets by USD 5 156 thousand. In addition, during the year ended 31 December 2021, the Group's income amounted to USD 124 thousand.

The Group needs to repay USD 10 280 thousand of loans classified within loans and borrowings, liabilities associated with assets held-for-sale and trade and other payables (Notes 24, 25 and 28).

In the end of 2017, the Group commenced negotiations with its largest bank-lender seeking to extend the repayment of debt due in December 2017. In 2018, the Group suggested a restructuring plan to the bank. The plan included the following:

- the part of the finished goods (apartments) that were pledged with the bank as at 31 December 2018 were to be transferred to the bank based on the agreed price;
- the Group would be selling these apartments on the behalf of the bank;
- the Group asked the bank to introduce financing opportunities for the potential customers.

As of the reporting date, the Group's negotiations with its second largest bank-lender were unsuccessful. This lender refused to continue any negotiations with the Group effectively taking over its properties used as a collateral. The Group considers such actions illegal and brought the lender to trial. In 2020 the Group won the trial in Supreme Court of Ukraine. The further development of the situation is however unclear.

Consequently, the Group derecognized the assets and respective part of liabilities resulting from the effective loss of control over the assets.

The Group's financial plan for 2022 anticipates cash inflows from property sales and construction services, which is to be achieved by the following:

- to sell the completed property and property under development on a pre-payment basis;
- to participate in tenders for rendering of construction services;
- to sell some of the investment properties and property rights.

The Group's ability to continue to operate depends upon its capacity to (i) generate sufficient cash flows from its operating activities; (ii) extend the payment terms of, or otherwise restructure, its interest-bearing loans; and (iii) meet the schedule of its other repayments due in 2022-2023.

The actual outcome of the debt restructuring negotiations and the success of the management plan to increase cash inflows from property sales in order to be able to meet scheduled repayments due are uncertain. These conditions represent a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. The Group may be unable to realize its assets and discharge its liabilities in the normal course of business.

Basis of consolidation

The consolidated financial statements includes the financial statements of the Company and its subsidiaries as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021

(in thousands of US dollars, unless otherwise indicated)

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee, if facts and circumstances indicate that. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of financial position and the statement of profit or loss and other comprehensive income from the date the Group gains control, until the date the Group ceases to control the subsidiary.

Profit, loss and each component of other comprehensive income (OCI) is attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

4. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected.

Estimates and judgments are evaluated on a continuous basis, and are based on past experience and other factors. Including expectations with regard to future events that are considered appropriate under the given circumstances.

(i) Judgments other than estimates

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Classification of property

The Group determines whether a property is classified as investment property or inventory property:

- Investment property includes buildings (principally offices, commercial warehouses and retail property) which are not occupied and can be ready for use by or in use of the Group, and are not for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.
- Inventory comprises property that is held for sale in the ordinary course of business. Mainly, it comprises property that the Group develops and intends to sell before or on completion of construction.

The Group's business model - i.e. the Group's intentions in respect of the property - is the primary criterion to consider while determining whether classification as investment property is appropriate.

Operating lease contracts – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the leases as for operating leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2021***(in thousands of US dollars, unless otherwise indicated)****Revenue recognition – sales of completed inventory property***

Revenue from sale of real estate properties includes revenue from sale of standardized apartments and non-residential property, which are constructed without reference to a specific customer's request.

Revenue from sale of the real estate property is measured at the fair value of the consideration received or receivable, net of any allowances and trade discounts. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, which is usually when the customer has accepted the property and received physical access to the property and the recovery of the consideration is probable. Also associated costs and possible return of property can be estimated reliably, and there is no continuing management involvement with the property, and the amount of revenue can be measured reliably.

Revenue from the sale of real estate property is recognized when construction is complete and the property is transferred to the customer.

Sales are recognized at prices that are valid at the date of concluding the sales contract. Which may be significantly different from the prices as at the date when the sale is recognized.

(ii) Estimates and assumptions***Estimation of net realizable value for inventory***

Inventory is carried at the lower of cost and net realizable value (NRV). NRV is assessed with reference to market conditions and existing prices at the reporting date.

Allowance for expected credit losses

Management accrues an allowance for expected credit losses to account for estimated losses resulting from the inability of customers to make required payments. The Group uses an allowance matrix to calculate expected credit losses for trade and other receivables. The allowance rates are based on days past due for groupings of various customer segments that have similar loss patterns. The allowance matrix is based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience to forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and in forecast of economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Valuations of buildings and investment properties

Buildings and investment properties are carried at fair value as at the reporting date. In the case of significant changes in market prices, the fair value of buildings and investment properties is determined by independent real estate valuation experts. Buildings and investment properties are valued in reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. In addition, in arriving at their estimates of market values, the valuers also use their market knowledge and professional judgement. Valuation of buildings and investment properties is within level 2 of the fair value hierarchy.

Weak liquidity and overall poor conditions prevailing in the Ukrainian property market (Note 2) may impose objective limitation on the inductiveness of market quotes that are used as a source data for valuation. The lack of liquidity in capital markets also means that, if it was intended to dispose of the property. It may be problematic to achieve a successful sale of buildings and investment properties in the short-term at their fair values.

Taxes

The Ukrainian tax legislation and other regulatory framework, such as the currency control and customs legislation, continue to change. Legislation and regulations are not always clearly formulated and can be interpreted differently by local, regional and central government bodies and other government authorities. Inconsistent interpretations are not uncommon. The management believes that its interpretation of provisions of the legislation that regulates Company's business, is correct and that the Company has complied with all the regulatory provisions. All the taxes and fees have been paid or accrued. More details are provided in Note 27.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021

(in thousands of US dollars, unless otherwise indicated)

Useful lives of the buildings

The Group's buildings are depreciated over their estimated useful lives to their estimated residual values. The Group exercises significant judgment in determination of the estimated useful lives of the buildings. Both the estimated useful life and the residual value are reviewed at least at each financial year-end.

Lease of land owned by State (Municipal property)

During the reporting period the Group has leased land owned by the State (Municipal property). Lease payment for the land owned by the State (Municipal property) (hereinafter "lease payment") is defined in accordance with Ukrainian legislation (the Tax Code of Ukraine). In particular it depends on the regulatory valuation of land. Such valuation is carried out by institutions authorized by the State. Agreements for the lease of land owned by the State (Municipal property) are typical and are approved by the Resolution №220 of the Cabinet of Ministers of Ukraine dated 3 March 2004. The amount of a lease payment is defined based on fiscal interests of authorities rather than fluctuations of market conditions. Accordingly, lease payments are considered as variable payments that are independent of index or rate. Therefore, they do not reflect changes in the market lease rates. Thereby, management of the Group concluded that the regulatory valuation of land is not an "index or rate" in the meaning of IFRS 16 Leases. Hence, the right-of-use asset and lease liability are not recognized at the beginning of lease. Current lease payments are recognized in profit and loss using the same method as before the adoption of IFRS 16 Leases.

5. Summary of significant accounting policies

Business combinations

Business combinations are accounted for, using the acquisition method. The cost of an acquisition is measured at the aggregate of the consideration transferred and is measured at an acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquirer's identifiable net assets. Acquisition-related costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest in the acquiree is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration is to be transferred by the acquirer and to be recognized at fair value at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost, less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination from the acquisition date, is to be allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill gets allocated to a cash-generating unit (CGU) and part of the operation in that unit is disposed of Goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation and the portion of the CGU retained.

Functional and presentation currencies

The Group's presentation currency and the functional currency of the parent company is the US dollar ("USD"). The functional currency of the Company's Ukrainian subsidiaries is the Ukrainian hryvnia ("UAH").

The exchange rates for foreign currencies, in which the Group's financial assets and liabilities were denominated,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2021***(in thousands of US dollars, unless otherwise indicated)*

against the UAH, as declared by the National Bank of Ukraine as at the dates stated, were as follows:

	<u>USD</u>	<u>EUR</u>
Average for 2020	26,96	30,79
31 December 2020	28,27	34,74
Average for 2021		
31 December 2021	27,29	32,30
	27,28	30,92
The date that these financial statements are authorized for issue	36,57	38,87

At each reporting date, the assets and liabilities of each company are translated into the Group's presentation currency at the rate of exchange at the reporting date. The revenues and expenses for the year or, if shorter, the period of each company participation in the Group are translated at the foreign exchange rates which approximate the date of transaction.

The difference arising on retranslation from each of the company's functional currencies into the Group's presentation currency is shown as a currency translation difference in OCI. The translation of the UAH denominated assets and liabilities into USD as at 31 December 2021 and 2020 does not indicate that the Group could realize or settle the translated values of those assets and liabilities in USD.

Foreign currency translation

Transactions denominated in currencies other than the relevant functional currency (foreign currencies) are initially recorded in the functional currency at the rate in effect at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange in effect at the reporting date. Non-monetary items that were measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair values were determined. The resulting gains and losses are recognised in profit or loss for the period.

Fair value measurement

The Group measures regularly non-financial assets such as buildings and investment properties at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the specific date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the main market for the asset or liability, or
- In the absence of a main market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured based on the assumptions that market participants would price the asset or liability, in order to act in their economic best interest.

A fair value measurement of a non-financial assets takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value. Therefore, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021

(in thousands of US dollars, unless otherwise indicated)

is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis the Group determines whether transfers occur between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Share capital

The Company's share capital is stated at the nominal amount of the issued shares. The difference between the fair value of the consideration received and the nominal value of the share capital being issued is taken to the share premium account.

Financial assets

Initial recognition

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model objective of which is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus (for an item not at FVTPL) transaction costs that are directly attributable to its acquisition.

The Group's financial assets include cash and cash equivalents and trade and other receivables, all classified as financial assets at amortised cost.

Subsequent measurement of financial assets at amortised cost

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021

(in thousands of US dollars, unless otherwise indicated)

Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred all the substantial risks and rewards of the asset, or (b) the Group has neither transferred nor retained all the substantial risks and rewards of the asset, but has transferred control of the asset.

Any gain or loss on derecognition is recognised in profit or loss.

Impairment of financial assets

The Group uses an 'expected credit loss' (ECL) model for measuring impairment of financial assets. The ECL model applies to financial assets at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

Loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021

(in thousands of US dollars, unless otherwise indicated)

financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset occur.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of profit or loss and other comprehensive income.

Impairment losses on other financial assets are presented under 'finance costs' and not presented separately in the statement of profit or loss and other comprehensive income due to materiality considerations.

Cash and cash equivalents

Cash and cash equivalents include cash on bank accounts, cash on hand and non-impaired short-term deposits with an original maturity of up to three months.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above less bank overdrafts.

Financial liabilities

Initial recognition and measurement

The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value (in the case of loans and borrowings less directly attributable transaction costs). The Group's financial liabilities include loans, borrowings, trade and other payables, all classified as "other financial liabilities".

Subsequent measurement of loans and borrowings, trade and other payables

After initial recognition, loans and borrowings, trade and other payables are subsequently measured at amortized cost using the effective interest rate ("EIR") method. Gains and losses are recognized in the statement of profit or loss and comprehensive income when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the statement of profit or loss and other comprehensive income.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by an alternative from the same lender, on substantially different terms, or the terms of an existing liability are substantially modified. Such an exchange or modification is treated as a derecognition of the original liability or the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of profit or loss and comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts, where there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Property, plant and equipment

Plant and equipment

Property, plant and equipment are stated at cost or deemed cost (for assets, acquired before the date of transition to the IFRS), less accumulated depreciation and impairment losses.

Deemed cost of property, plant and equipment is mainly determined at replacement cost, taking into account economic impairment, based on the results of an independent valuation.

Cost of property, plant and equipment includes expenses, related to replacement of a part of property, plant and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2021***(in thousands of US dollars, unless otherwise indicated)*

equipment if they meet the criteria of recognition. Similarly, when carrying out basic technical inspections, expenses for them are recognized in the carrying amount of property, plant and equipment as the replacement cost, if all the criteria, required for such recognition, are met. All other repairs and maintenance expenses are recognized in profit or loss as incurred.

The carrying amount of property, plant and equipment is reviewed for impairment, when certain events or changes in circumstances indicate that the carrying amount of asset cannot be recovered. In the case of asset's impairment, i.e. excess of its carrying amount over the recoverable value, the value of such asset or cash generating unit is written-off to the expected recoverable amount. The expected recoverable value of assets is determined as the higher of the two values: the net selling price of asset and its value in use.

Buildings

Buildings are carried at revalued amount, representing fair value less accumulated depreciation and impairment losses recognized after the date of the revaluation. Valuations are performed regularly to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Revaluation surplus is credited to the revaluation reserve within equity except when it reverses a revaluation decrease of the same asset previously recognized in profit or loss for the period, in which case the increase is recognized in profit or loss. A revaluation deficit is recognized in profit or loss for the period, except when it offsets an existing surplus on the same asset recognized in evaluation reserve in equity.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset is transferred to retained earnings.

Freehold land

For the purpose of further construction of owner-occupied premises, the Group acquired certain land plots in Kyiv region. Freehold land is measured at cost less impairment losses. Land is not depreciated. Certain companies of the Group have the right to permanent use of the land on which they are located or are leasing land under long-term lease agreements from local state authorities. By substance, this land is the property of the state and, therefore, is not included in the consolidated financial statements.

Construction in progress

Assets in the process of construction are capitalized as a separate component of property, plant and equipment. Construction in progress includes cost of construction works, cost of engineering works, other direct costs and an appropriate allocated portion of production overheads. On completion, cost of constructed asset is transferred to the appropriate category. Construction in progress is not depreciated until the relevant assets are completed and put into operational use. Construction in progress is stated at cost less impairment.

Borrowing costs

Borrowing costs directly attributable to acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Depreciation

Depreciation is charged on a straight-line basis over the expected useful life of each asset. The average useful life for each asset is as follows:

- | | |
|---|----------|
| • Buildings | 50 years |
| • Heavy construction equipment | 20 years |
| • Production, construction and research equipment | 8 years |
| • Vehicles | 6 years |
| • Office and computer equipment | 4 years |

The useful life of an asset is defined in terms of the asset's expected utility to the Group and is reassessed at each reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021

(in thousands of US dollars, unless otherwise indicated)

Derecognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period when the item is derecognized.

Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacement parts of an existing investment property if the recognition criteria are met; and excludes the costs of day-to-day servicing of investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in fair values of investment properties are included in profit or loss in the period in which they arise.

Investment properties are derecognized when either they have been disposed of or permanently withdrawn from use and no future economic benefit is expected from their usage. Any gains or losses on retirement or disposal of investment property are recognized in profit or loss in the period of retirement or disposal. Gains or losses on disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner's occupation or commencement of a lease. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner's occupation or commencement of development with a view to sale.

Property development rights

Property development rights represent the rights owned by the Group to lease land plots to be used for further development. Property development rights are stated at cost, being expenses directly attributable to acquisition of such right, less provisions for impairment, where required. Property development rights are not depreciated. Upon the start of development, property development rights are transferred at carrying value to inventories.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that a non-financial asset, except for inventories and deferred taxes, may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use and are largely independent of the cash inflows of other assets or cash generating unit ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilized by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021

(in thousands of US dollars, unless otherwise indicated)

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

The Group as a lessee

The Group recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments.

In respect of short-term leases (12 months or less) and leases of low value assets (such as personal laptops and office furniture), the Group recognizes respective lease expenses within operating expenses on a straight-line basis over the term of the lease in accordance with the requirements of IFRS 16.

The Group measures the lease liability at the present value of the lease payments that are not paid at the commencement date. It is discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The incremental borrowing rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease obligations are subsequently measured by increasing the carrying amount to reflect interest on the lease (using the effective interest method) and decreasing the carrying amount to reflect the lease payments made. The Group recognizes interest on lease obligations based on the incremental borrowing rate presented as part of the financial expense in profit or loss.

The Group recognizes depreciation of the right-of-use assets and interest on lease liability in profit or loss. Right-of-use assets are depreciated over the period of lease term. The depreciation starts at the commencement date of the lease. The Group recognizes depreciation of right-of-use assets based on the contract term, taking into account the renewal option.

The Group presents its right-of-use assets within the respective group of assets in property, plant and equipment in the consolidated statement of financial position.

The total amount of cash paid out for the principal amount and the interest paid are reflected in the statement of cash flows.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any impairment loss identified.

The Group as a lessor

Leases where the Group does not transfer all the substantial risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Inventories

Inventories are valued at the lower of the two amounts: cost and net realizable value. Net realizable value represents the projected sale price in the ordinary course of business less any expected future costs, associated with bringing the asset to ready-to-use condition and its sale. Cost is predominantly determined on an individual basis, using special valuation methods.

Raw materials

Cost of raw materials is based on the weighted average method principle and includes expenses incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021

(in thousands of US dollars, unless otherwise indicated)

Completed and under development inventory property

Completed and under development inventory property is property acquired or in process of construction for sale in the ordinary course of business, rather than being held for rental or capital appreciation. Completed and under development inventory property are stated at cost based on the individual cost method. Cost includes:

- freehold and leasehold rights for land;
- planning and design costs, costs of site preparation;
- cost of raw materials;
- labour costs and amounts paid to subcontractors for construction;
- construction overheads allocated proportionately to the stage of completion of the inventory based on normal operating capacity;
- borrowing costs.

Cost of completed and under development inventory property recognized in profit or loss on disposal is determined with reference to the specific costs incurred on inventories sold and an allocation of any non-specific costs based on the relative size of the property sold.

Prepayments, contract assets and contract liabilities

Prepayments and contract assets are recognized on an undiscounted basis, stated at cost less impairment. Contract liabilities are recognized on an undiscounted basis and stated at cost unless the contract contains a significant financing component, such as in contracts for sale of apartments.

The significant financing component in advances for apartments is recognized as interest expense and capitalized in the cost of inventory property, as the nature of these advances is financing of the construction of apartments. To determine the interest expense the Group uses the discount rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event. To settle the obligation it is probable that an outflow of resources embodying economic benefits will be required and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of profit or loss and comprehensive income net of any reimbursement. If the effect of the time value of money is material. Provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance cost.

Contingent assets and liabilities

A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Contingent liabilities are not recognized in the consolidated financial statements unless it is probable that an outflow of economic resources will be required to settle the obligation and it can be reasonably estimated. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Taxes

Value-added tax

Income, expenses and assets are recognized net of the amount of value-added tax ("VAT") except:

- where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognized as part of the cost of acquisition of the asset or as part of expense item as applicable; and
- prepayments and advances received are stated net of VAT.

The net amount of VAT recoverable from, or payable to, the tax authority is disclosed in the notes to the consolidated

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021

(in thousands of US dollars, unless otherwise indicated)

statement of financial position.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax

Deferred income tax is assessed using the liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

Revenue recognition

Revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement, the following specific recognition criteria

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021

(in thousands of US dollars, unless otherwise indicated)

must also be met:

Sale of constructed real estate properties

Revenue from sale of real estate properties comprise revenue from sale of standardized apartments and non-residential property, which are constructed without reference to a specific customer's request.

The Group satisfies its performance obligations under the sales contract at a point of time, by transferring the property (an asset) to the customer. The asset is transferred, and thereby revenue is recognized, when (or as) the customer obtains control of that asset, which is usually when the customer has accepted the property and received physical access to the property, recovery of the consideration is probable, the associated costs and possible return of the property can be estimated reliably, there is no continuing management involvement with the property, and the amount of revenue can be measured reliably.

Revenue from sale of real estate property is measured at the fair value of the consideration received or receivable, net of allowances and trade discounts, if any.

Sales are recognized at prices valid at the date of concluding the sales contract, which may be significantly different from the prices as at the date when the sale is recognized.

Rendering of utility services

Revenue from rendering of services is recognised over time as those services are provided. Revenue from utility services is recognized on a net basis in arrangements where the Group acts as an agent, and on a gross basis where the Group acts as a principal.

Invoices for utility services are issued on a monthly basis and are usually payable within 30 days. The total consideration in the service contract is allocated to all services based on their standalone selling prices. The standalone selling price is determined based on the list prices at which the Group sells the services in separate transactions.

Rental income

Rental income receivable under operating leases is recognized on a straight-line basis over the term of the lease, except for contingent rental income which is recognized when it arises.

Incentives for lessees to enter into lease agreements are spread evenly over the lease term, even if the payments are not made on such a basis. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, management are reasonably certain that the tenant will exercise that option.

Premiums received to terminate leases are recognized in profit or loss for the period when they arise.

Comparatives

In order to comply with the requirements of IFRS and to meet the objective of providing information that is useful in making economic decisions. The Group can adjust the comparative figures to conform to the presentation of the current year amounts. Certain comparatives in the notes were amended to comply the current period presentation.

6. Adoption of new standards and interpretations

The accounting policies used in the consolidated financial statements are consistent with those followed in the Group's annual financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Although these amendments apply for the first time in 2020, they did not have material impact on the consolidated financial statements of the Group. The nature and the impact of each amendment are described below:

"Interest Rate Benchmark Reform" (amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosure, IFRS 4 Insurance Contracts and IFRS 16 Leases) – Phase 2

The amendments introduce changes to a number of hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the reform of IBOR. The amendments also require companies to disclose to

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2021***(in thousands of US dollars, unless otherwise indicated)*

investors additional information about hedging transactions that are directly affected by these uncertainties.

The amendments introduce a practical expedient for modifications required by the reform. These modifications are accounted for by updating the effective interest rate.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2021 and have not been applied in these consolidated financial statements. Of these pronouncements, potentially none are expected to have significant impact on the Group's operations and consolidated financial statements. The Group plans to adopt these standards and interpretations when they become effective:

- IFRS 16 "Leases" – COVID-19-Related Rent Concessions - effective 1 April 2021;
- IFRS 3 "Business Combinations" - Reference to the Conceptual Framework - effective for annual periods beginning on or after 1 January 2022;
- IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" - Onerous Contracts—Cost of Fulfilling a Contract - effective for annual periods beginning on or after 1 January 2022;
- IAS 16 "Property, Plant and Equipment" - Proceeds before Intended Use - effective for annual periods beginning on or after 1 January 2022;
- Annual Improvements to IFRS 2018 – 2020 Cycle - effective for annual periods beginning on or after 1 January 2022;
- IAS 1 "Presentation of Financial Statements" - Classification of Liabilities as Current or Non-Current - the amendments are effective for annual reporting periods beginning on or after 1 January 2023;
- IFRS 17 "Insurance Contracts" – effective for annual periods beginning on or after 1 January 2023;
- IFRS 4 "Insurance Contracts" - extension of the temporary exemption from applying IFRS 9 Financial Instruments for annual periods beginning before 1 January 2023;
- IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - Definition of Accounting Estimates - will be effective for annual reporting periods beginning on or after 1 January 2023;
- IAS 1 "Presentation of Financial Statements", IFRS Practice Statement 2 "Making Materiality Judgements" - Disclosure of Accounting Policies - will be effective for annual reporting periods beginning on or after 1 January 2023;
- IAS 12 "Income Taxes" – Deferred tax on leases and decommissioning obligations – effective for annual reporting periods beginning on or after 1 January 2023;
- IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" (amendments) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – the effective date of the amendments has yet to be set by the IASB.

Management estimates that adoption of new standards and amendments will not have a material impact on the Group's consolidated financial statements in future periods. The Group plans to apply such standards and interpretations at the date of entry into force.

7. Revenue

Revenue comprised:

	2021	2020
Sales of completed inventory property	1 440	3 108
Utility services income	3 126	2 707
Revenue from contracts with customers	13	1 278
Rental income from investment properties (Note 17)	641	389
Construction and transportation services	212	217
Net result of sales of investment property	(73)	(291)
Income from sales of investment property	82	77
Cost of sales of investment property	(155)	(368)
Rental income from other assets	-	60
Other	1 217	1 216
	6 576	8 684

During year ended 31 December 2021, other income line included USD 954 thousand (2020: USD 743 thousand) commission income received from one of the Group's banks on sales of the properties on behalf of the bank (Note 24).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2021***(in thousands of US dollars, unless otherwise indicated)***8. Cost of revenue**

Wages and salaries and social security taxes included in the cost of revenue for the year ended 31 December 2021 amounted to USD 1 391 thousand and USD 298 thousand, respectively (2020: USD 1 508 thousand and USD 321 thousand, respectively).

Depreciation included in cost of revenue for the year ended 31 December 2021 amounted to USD 231 thousand (2020: USD 288 thousand) (Note 16).

9. Other operating income

Other operating income comprised:

	2021	2020
Gain on sale of miscellaneous goods and services	106	44
Write-off of accounts payable	-	78
Reversal of written-off balances	-	543
Other	661	441
	<u>767</u>	<u>1 106</u>

10. General and administrative expenses

General and administrative expenses comprised:

	2021	2020
Wages and salaries	688	722
Taxes, other than income tax	285	168
Professional services	175	129
Social security taxes	134	154
Audit fees	59	17
Communication costs	31	30
Depreciation (Note 16)	23	27
Bank charges	8	22
Insurance	4	4
Other	27	137
	<u>1 434</u>	<u>1 410</u>

Average number of staff employed by the Group in 2021 and 2020 was 288 and 302, respectively.

11. Selling and distribution expenses

Selling and distribution expenses comprised:

	2021	2020
Wages and salaries	136	94
Advertising	42	66
Social security taxes	30	23
Other	28	46
	<u>236</u>	<u>229</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2021***(in thousands of US dollars, unless otherwise indicated)***12. Other operating expenses**

Other operating expenses comprised:

	2021	2020
Loss on disposal of property, plant and equipment and investment properties	21	62
Loss on revaluation of property, plant and equipment	-	74
Post-construction costs on inventory property	79	46
Fines and penalties	42	137
Impairment allowance on work in progress	36	134
Other	1 402	1 225
	<u>1 580</u>	<u>1 678</u>

In 2021 other operating expenses mainly comprised written-off goods held for sale. In 2020 other operating expenses included USD 704 thousand of bad debts expenses.

13. Finance costs

Finance costs comprised:

	2021	2020
Interest costs	14	14
Other finance costs	209	284
	<u>223</u>	<u>298</u>

14. Operating segment information**Identification of reportable segments**

For management purposes, the Group is organized into business units based on their products and services and has the following reportable operating segments:

- Investment property segment – leases residential and commercial property owned by the Group;
- Property development and construction segment – builds and sells residential and commercial property, renders construction services.
- Utility services segment – provides utility services to tenants.

An individual segment manager is determined for each operating segment and the results are regularly reviewed by the Board of Directors. The Board of Directors monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment result, where segment result is determined as gross profit plus changes in the fair value of investment properties, selling and distribution expenses. Information regarding segment assets and liabilities is not provided to the Board of Directors, therefore is not included in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2021***(in thousands of US dollars, unless otherwise indicated)*

The Group's segmental information was as follows:

As at 31 December 2021	<i>Investment property</i>	<i>Property development and construction</i>	<i>Utility Services</i>	<i>Total reportable segments</i>
Revenue				
External customers	641	1,665	3,126	5,432
Total revenue	641	1,665	3,126	5,432
Results				
Depreciation and amortization		(254)		(254)
Selling and distribution expenses		(236)		(236)
Segment results	641	307	410	1,358
Additions to of property, plant and equipment		35		35
Other material non-cash items:				
- Loss on disposal of investment property and property, plant and equipment	(21)			(21)
As at 31 December 2020	<i>Investment property</i>	<i>Property development and construction</i>	<i>Utility Services</i>	<i>Total reportable segments</i>
Revenue				
External customers	389	4 603	2 707	7 699
Total revenue	389	4 603	2 707	7 699
Results				
Depreciation and amortization		(315)		(315)
Selling and distribution expenses		(229)		(229)
Segment results	389	2 073	(25)	2 436
Additions to of property, plant and equipment		4		4
Other material non-cash items:				
- Loss on disposal of investment property and property, plant and equipment	(62)			(62)

External customer's revenues are adjusted for differences in the period of recognition.

Inter-segment revenues are eliminated on consolidation.

Capital expenditure consists of additions to property, plant and equipment, investment properties and property development rights. Capital expenditure that is not reportable to the Board on a segment basis includes additions to buildings, vehicles, office and computer equipment and construction in progress.

A major part of revenues from external customers relates to residents of Ukraine.

Reconciliation to profit or loss

	2021	2020
Segment results	1 358	2 436
Revenue / (loss) of other operating segments	(308)	1 334
General and administrative expenses	(1 434)	(1 410)
Other operating expenses	(1 580)	(1 678)
Other operating income	767	1 106
Finance costs	(223)	(298)
Foreign exchange loss, net	939	(787)
Consolidated loss before tax	(481)	703

Other operating income, general and administrative expenses, other operating expenses, finance income, finance costs and foreign exchange losses are not allocated to individual segments as they are managed on a group basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2021***(in thousands of US dollars, unless otherwise indicated)***15. Income tax**

The major components of income tax are:

Profit or loss

	2021	2020
Deferred tax relating to reversal and origination of temporary differences	(605)	377
Income tax benefit reported in profit or loss	(605)	377

A reconciliation between the income tax benefit reported in the consolidated financial statements and loss before tax multiplied by the applicable domestic tax rates for the years ended 31 December 2021 and 2020 is as follows:

	2021	2020
Profit/ (loss) before tax	(481)	703
At the Company's statutory income tax rate of 12.5%	60	(88)
Tax effect of non-deductible expenses / non-taxable income in determining taxable profits	365	(367)
Reduction of amount of tax loss carried forward	122	112
Effect of higher tax rates in Ukraine	58	(34)
Income tax benefit/(expense) reported in profit or loss	605	(377)

The Group is subject to taxation in two tax jurisdictions, depending on the residence of its entities (in Ukraine and Cyprus). In 2021 Ukrainian corporate income tax was levied on taxable profit at the rate of 18% (2020: 18%). The tax rate in Cyprus is 12.5% (2020: 12.5%).

Movements in deferred tax position were as follows:

	2021	2020
Deferred tax liability as at 1 January	(790)	(554)
Charged to profit or loss	605	(377)
Effect on revaluation reserve	-	83
Foreign currency translation	100	58
Deferred tax liability as at 31 December	(85)	(790)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2021***(in thousands of US dollars, unless otherwise indicated)*

Deferred tax assets and liabilities as at 31 December relate to the following items:

	2021	2020
<i>Tax effect of taxable temporary differences:</i>		
Property, plant and equipment, and investment properties	(1 307)	(1 281)
Advances received	(5 026)	(4 416)
Trade and other payables	(3 196)	(3 145)
Other	-	(118)
Gross deferred tax liabilities	(9 529)	(8 960)
Less: Offsetting with deferred tax assets	9 444	8 170
Recognized deferred tax liabilities	(85)	(790)
<i>Tax effect of deductible temporary differences:</i>		
Inventories	2 114	1 941
Trade and other receivables	1 295	532
Taxes payable	98	95
Property development rights	1 165	1 124
Property, plant and equipment, investment properties and other classified as held-for-sale	137	132
Prepayments made	760	614
Other	2 058	1 979
Tax losses carried forward	1 817	1 753
Gross deferred tax assets	9 444	8 170
Less: Offsetting with deferred tax liabilities	(9 529)	(8 960)
Net deferred tax liability	(85)	(790)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021

(in thousands of US dollars, unless otherwise indicated)

16. Property, plant and equipment

	<i>Freehold land</i>	<i>Buildings</i>	<i>Heavy construction equipment</i>	<i>Production, construction and research equipment</i>	<i>Vehicles</i>	<i>Office and computer equipment</i>	<i>Construction in progress</i>	<i>Total</i>
<i>Cost or fair value:</i>								
At 1 January 2021	-	3 337	1 387	1 826	244	445	736	7 975
Additions	-	-	1	34	-	5	17	57
Disposals	-	(48)	(135)	(53)	(2)	(7)	-	(245)
Revaluation	-	2	-	-	-	-	-	2
Transfer to assets held-for-sale	-	-	(137)	(34)	-	-	-	(171)
Other transfers	-	-	4	19	-	-	(429)	(406)
Translation difference	-	122	(3)	75	9	16	27	246
At 31 December 2021	-	3 413	1 117	1 867	251	459	351	7 458
<i>Accumulated depreciation:</i>								
At 1 January 2021	-	(833)	(763)	(1 427)	(225)	(419)	-	(3 667)
Depreciation charge for the year	-	(67)	(66)	(94)	(9)	(8)	-	(244)
Disposal	-	3	98	12	2	7	-	122
Transfer to assets held-for-sale	-	-	69	9	-	-	-	78
Translation difference	-	(31)	(26)	(50)	(8)	(16)	-	(131)
At 31 December 2021	-	(928)	(688)	(1 550)	(240)	(436)	-	(3 842)
<i>Net book value</i>								
At 31 December 2021	-	2 485	429	317	11	23	351	3 616

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2021***(in thousands of US dollars, unless otherwise indicated)***16. Property, plant and equipment (continued)**

	<i>Freehold land</i>	<i>Buildings</i>	<i>Heavy construction equipment</i>	<i>Production, construction and research equipment</i>	<i>Vehicles</i>	<i>Office and computer equipment</i>	<i>Construction in progress</i>	<i>Total</i>
<i>Cost or fair value:</i>								
At 1 January 2020	-	3 450	1 604	2 206	291	528	1 129	9 208
Additions	-	-	3	1	-	-	21	25
Disposals	-	(33)	(80)	(60)	-	(26)	(4)	(203)
Revaluation	-	501	-	-	-	-	-	501
Other transfers	-	1	68	36	-	28	(237)	(104)
Translation difference	-	(582)	(208)	(357)	(47)	(85)	(173)	(1 452)
At 31 December 2020	-	3 337	1 387	1 826	244	445	736	7 975
<i>Accumulated depreciation:</i>								
At 1 January 2020	-	(931)	(895)	(1 629)	(259)	(501)	-	(4 215)
Depreciation charge for the year	-	(57)	(104)	(120)	(9)	(25)	-	(315)
Disposal	-	1	80	54	-	26	-	161
Translation difference	-	154	156	268	43	81	-	702
At 31 December 2020	-	(833)	(763)	(1 427)	(225)	(419)	-	(3 667)
<i>Net book value</i>								
At 31 December 2020	-	2 504	624	399	19	26	736	4 308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2021***(in thousands of US dollars, unless otherwise indicated)***16. Property, plant and equipment (continued)**

On 20 March 2019, the Group lost ownership rights on several premises in Kyiv and Kharkiv (net book value of USD 3,983 thousand as of 20 March 2019), which were transferred to one of Group's major lenders according to the restructuring agreement. The Group signed a lease-back contract for them and recognized respective addition to buildings. As at 31 December 2019 these premises were partly recognized as a right-of-use asset (see below) and partly as investment property according to IFRS 16.

Depreciation

Total depreciation charge for the years ended 31 December 2021 and 2020 was as follows:

	2021	2020
Cost of revenue (Note 8)	231	288
General and administrative expenses (Note 10)	23	27
	<u>254</u>	<u>315</u>

Pledged assets

As at 31 December 2021 freehold land with a carrying value of USD 1 518 thousand (31 December 2020: 1 464 thousand) were pledged as collateral with respect to liabilities associated with assets classified as assets held-for-sale (Note 28). Also, as of 31 December 2021 and 2020, the Group transferred part of its pledged property, plant and equipment into assets held-for-sale (Note 28).

Revaluation of buildings

As at 31 December 2021, the Group engaged an independent valuer to determine the fair value of its buildings. Buildings were valued using the market comparison approach. Under the market comparison approach, property's fair value is estimated based on comparable transactions. Key assumptions relate to the condition, quality and location of buildings used as comparatives. The market comparison approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property.

If buildings were measured using the cost model, the total carrying amount of buildings would be USD 3 938 thousand as at 31 December 2021 (2020: USD 3 882 thousand).

Right-of-use assets and lease liabilities

In 2019, the Group concluded lease-back agreements on a number of buildings mainly in Kyiv and Kharkiv with the initial term of up to 3 years. All agreements include a clause to enable revision of the rent rate on an annual basis according to annual inflation rate. Legal title is not transferred to the Group. A lease agreement is recognized as a right-of-use asset and relevant lease liabilities, starting from the date on which the leased asset is available for use by the Group and are included in property, plant and equipment

The following table represents the book value of right-of-use assets and lease liabilities of the Group for the reporting period:

	Buildings 2021	Buildings 2020
Right-of-use assets		
1 January	2,311	2 225
Revaluation	2	524
Additions	-	-
Depreciation charge	(65)	(55)
Translation difference	84	(383)
31 December	<u>2 332</u>	<u>2 311</u>
Lease liabilities		
1 January	2 621	4 056
Recognition of lease liabilities	-	-
Interest expenses, included in financial expenses	209	282
Lease payment	(1 095)	(1 097)
Translation difference	95	(620)
31 December	<u>1 830</u>	<u>2 621</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2021***(in thousands of US dollars, unless otherwise indicated)*

The table below represents reconciliation of the lease liabilities to the future minimum payments:

	2021	2020
Future minimum lease payments, including:		
Up to 1 year	1 838	2 467
From 1 to 5 years	-	343
Less: future interest payments on lease liabilities	(8)	(189)
	1 830	2 621

The Group did not manage to make all payments as scheduled in the lease agreements. Due to the current operating environment (Note 2) the Group is in negotiations with its lessor regarding the postponement of the lease payments.

17. Investment properties

Investment properties comprise several commercial properties held for capital appreciation or to earn rentals or both. Changes in investment properties during the year were as follows:

	2021	2020
At 1 January	3 854	3 519
Additions	-	6
Disposals	(168)	(29)
Gain / (loss) on valuation	(30)	764
Transfers to/(from) investment properties	-	210
Translation difference	140	(616)
At 31 December	3 796	3 854

Investment properties are stated at fair value and are presented as Level 2 of the fair value hierarchy.

Fair value of investment properties has been determined based on valuations performed by an independent valuator as at 31 December 2021 and 31 December 2020.

Fair value is determined by reference to market-based evidence, which means that valuations performed by the valuer are based on active market quotes adjusted for any difference in nature, location or condition of the specific property.

As at 31 December 2021 and 2020, investment properties used as collateral under the Group's loans were transferred to the assets held-for sale (Note 28).

During 2021, investment property rentals of USD 641 thousand (2019: USD 389 thousand) were included in the Group's revenue (Note 7).

18. Property development rights

Property development rights as at 31 December were as follows (by project):

Project name	Project location	Project type	2021	2020
Arabatska strilka	Kherson	Resort	926	884
Korchahintsiv	Kharkiv	Residential	175	154
TMM-Seaproject	Odesa and other	Port	156	-
Tysa	Carpathians	Resort	96	92
			1 353	1 130

In 2021 the Group started development of the "floating seaport" project with a trans-shipment capacity of 15 million tons off the Black Sea coast in the 15-kilometer economic zone of Ukraine. The first stage of the project is the design, construction of anchors with the involvement of specialized specialists. The cost of the first stage is estimated at over USD 5 million. The total cost of the port is about USD 800 million. At the reporting date, authorization the exploration works have been carried out, a working project has been developed, and the Group started manufacturing reinforced concrete pontoons for mooring ships and construction of floating structures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2021***(in thousands of US dollars, unless otherwise indicated)***19. Inventories**

Inventories as at 31 December consisted of the following:

	2021	2020
Inventory property under development	5 404	6 429
Completed inventory property	2 409	975
Goods for resale	1 926	2 897
Raw materials	241	919
Other inventories	21	37
	10 001	11 257

Inventory property under development

As at 31 December 2021, completed inventory amounting to USD 1 595 thousand was included in the restructuring plan with the bank (as at 31 December 2020, the same inventory in the amount of USD 1 538 thousand was part of inventory property under development).

Inventory property under development as at 31 December was as follows (by project):

Project name	Project location	Project type	2021	2020
Sonyachna brama	Kyiv	Mainly residential	4 880	5 965
Other	Various	Residential	524	464
			5 404	6 429

During 2021 and 2020 there were no borrowing costs capitalized into inventory property under development.

Completed inventory property

Completed inventory property as at 31 December was as follows (by project):

Project name	Project location	Project type	2021	2020
Alter Ego	Kyiv	Residential	215	173
Edelweiss	Kharkiv	Residential	203	206
Green Town	Kharkiv	Residential	121	158
Kaskad	Kharkiv	Residential	35	118
Ultra	Kharkiv	Residential	144	138
Triumph	Kyiv	Residential	76	74
Karat	Kharkiv	Residential	-	71
Sonyachna brama	Kyiv	Residential	1 611	33
Other	Various	Various	4	4
			2 409	975

20. Receivable under the investment agreement

Changes in receivable under the investment agreement were as follows:

	2021	2020
At 1 January	374	447
Recognized during the year	-	-
Transferred to finished goods	-	-
Translation difference	14	(73)
At 31 December	388	374

In August 2016, the Group sold property development rights under development "Bereznevyi" to a third party in exchange for 13% of constructed premises to be completed in future periods. As at 31 December 2021, the Group recognized a receivable under the investment agreement in the amount of USD 388 thousand (2020: USD 374 thousand) representing a consideration of 13% of premises to be constructed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2021***(in thousands of US dollars, unless otherwise indicated)*

The sales were considered as a sale in exchange for dissimilar goods. Revenue was measured at the fair value of the asset given up that approximated the costs incurred up to the date of the sale and presented on a net basis in the consolidated statement of profit or loss and other comprehensive income.

21. Trade and other receivables

Trade and other receivables as at 31 December consisted of the following:

	2021	2020
Trade receivables	1 771	2 525
Notes receivable	-	12
Loans to employees	-	2
Other	17	17
	1 788	2 556
Less: allowance for impairment	(578)	(1 244)
	1 210	1 312

Trade and other receivables are non-interest bearing and are repayable in the normal course of business.

Changes in the allowance for impairment of trade and other receivables during the year were as follows:

	2021	2020
At 1 January	1 244	1 890
Charge for the year	132	671
Recovery of bad debts	-	(971)
Write-off	(627)	(52)
Translation difference	(171)	(294)
At 31 December	578	1 244

As at 31 December, the ageing analysis of trade and other receivables was as follows:

	2021	2020
Past due but not impaired		
- less than 30 days	1 210	1 312
	1 210	1 312
Neither past due nor impaired		
	1 210	1 312

The Group's exposure to credit and currency risks, as well as impairment losses related to trade and other receivables, are disclosed in Note 32.

22. Prepayments made

Prepayments made as at 31 December were as follows:

	2021	2020
Prepayments for construction materials and services	524	293
Less: allowance for impairment	(382)	(160)
	142	133

23. Issued capital and reserves**Share capital**

As at 31 December 2021 and 2020, the Group's issued and paid-in share capital comprised 51 084 235 ordinary shares with a par value of USD 0.01 each. As at 31 December 2021 and 2020, the Company's total authorized share capital comprised 100 000 000 shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2021***(in thousands of US dollars, unless otherwise indicated)***Share premium**

On 29 May 2007, the shares of TMM Real Estate Development plc were admitted for trading on the Frankfurt Stock Exchange. As a result of the offering, 6 792 165 shares were sold. The issue price was EUR 11.65 (USD 15.45). Total proceeds for sold shares and related transaction costs amounted to EUR 79 129 thousand (USD 104 939 thousand) and EUR 3 165 thousand (USD 4 198 thousand), respectively. Surplus of the issue proceeds less transaction costs over par value of issued additional ordinary shares represents share premium.

Additional paid-in capital

Additional paid-in capital is used to record additional contributions in kind made by the Company's shareholders.

Revaluation reserve

Revaluation reserve is used to record increases in the fair value of buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognized in equity.

Translation reserve

Translation reserve is used to record exchange differences arising from the translation of the consolidated financial statements to presentation currency.

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at annual and general meetings of the Company.

The share premium, revaluation reserve and translation reserve are not distributable reserves by way of dividend.

24. Loans and borrowings

Loans and borrowings as at 31 December consisted of the following:

	2021	2020
<i>Current</i>		
Bank loans	84	70
Loans from shareholders	630	291
	714	361
<i>Non-current</i>		-
Supplier credits	255	255
	969	616

Changes in loans and borrowings during the year were as follows:

	2021	2020
At 1 January	616	376
New loans granted	335	254
Repayment of bank loans	(2)	-
Transfer to liabilities associated with assets held-for-sale	-	-
Extinguishment of liability	-	-
Interest accrued	14	14
Translation difference	6	(28)
At 31 December	969	616

The Group's exposure to currency and interest rate risks related to loans and borrowings is disclosed in Note 32.

As at 31 December 2021 and 2020, the Group presented its UAH-denominated loan within liabilities associated with assets held-for-sale based on the restructuring agreement signed with the bank in 2019.

As at 31 December 2021 and 2020, the Group presented its EUR-denominated loan within trade and other payables in the amount net of the net selling value of the assets sold-out by the bank (Note 25). As at 31 December 2021 and 2020, the Group derecognized the respective assets appropriated by the bank (Note 3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021
(in thousands of US dollars, unless otherwise indicated)

25. Trade and other payables

Trade and other payables as at 31 December consisted of the following:

	2021	2020
EUR denominated payable due to Ukrainian bank	6 645	7 202
Trade accounts payable	733	899
Due to employees	1 038	974
Other	480	155
	<u>8 896</u>	<u>9 230</u>

As of 31 December 2021 and 2020, the Group transferred the remaining balance of EUR-denominated loans due, to one of the major Group's lenders. The remaining balance was transferred to payables after the appropriation of the Group's assets by the mentioned bank. The remaining balance of payable due to this bank was calculated after deducting the value of the assets sold-out by the bank from the balance of the loan.

The Group considers the bank's actions as illegal and brought the lender to trial. The Group brought the lender to trial and in 2020 won it in Supreme Court of Ukraine.

The Group's exposure to currency risk related to trade and other payables is disclosed in Note 32.

26. Contract liabilities

Contract liabilities as at 31 December were as follows:

	2021	2020
Advances for apartments and non-residential property	20	264
Other	639	564
	<u>659</u>	<u>828</u>

27. Taxes payable, other than income tax

Taxes payable, other than income tax as at 31 December consisted of the following:

	2021	2020
Value added tax payable	4 401	4 260
Payroll related taxes	98	95
Miscellaneous taxes	156	204
	<u>4,655</u>	<u>4 559</u>

28. Assets held-for-sale

In 2019, the Group signed a restructuring agreement with one of its major lenders (Note 24). As of 31 December 2021 and 2020, the Group presented the respective part of its assets and liabilities under assets held-for-sale and liabilities associated with assets held-for-sale lines in its statement of financial position.

The Group agreed to transfer the following assets to the lender:

	2021	2020
Property, plant and equipment, net book value		
<i>Group</i>		
Buildings	-	-
Freehold land	1 518	1 464
Heavy construction, production and research equipment	82	-
	<u>1 600</u>	<u>1 464</u>
Investment property	<u>993</u>	<u>958</u>
	<u>2 593</u>	<u>2 422</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2021***(in thousands of US dollars, unless otherwise indicated)*

As of 31 December 2021, all assets held-for-sale as presented above were used as a collateral for the UAH-denominated loan included in the liabilities associated with the assets held-for-sale.

Liabilities associated with assets classified as assets held-for-sale

	2021	2020
UAH-denominated loan	2 666	2 572
	<u>2 666</u>	<u>2 572</u>

During 2019, upon signing of the restructuring agreement and subsequent transfer of the Group's assets to one of its lenders, the Group signed a lease-back contract concerning part of its assets with net book value of USD 3 983 as of 20 March 2019 (Note 33). These assets are essential for the Group's future operations.

29. Related party disclosure

Transactions with related parties for the years ended 31 December were as follows:

	Revenue
2021	
Other related parties	15
	<u>15</u>
2020	
Other related parties	15
	<u>15</u>

As at 31 December, outstanding balances due from / to related parties were as follows:

	Trade and other receivables	Prepayments	Trade and other payables	Contract liabilities	Loans and borrowings
2021					
Other related parties	-	-	350	-	630
	<u>-</u>	<u>-</u>	<u>350</u>	<u>-</u>	<u>630</u>
2020					
Other related parties	5	221	9		291
	<u>5</u>	<u>221</u>	<u>9</u>		<u>291</u>

The Company's parent and ultimate controlling party are disclosed in Note 1. The Company's parent does not prepare publicly available financial statements.

Compensation to key management personnel

In 2021, the total short-term employee benefits to key management personnel comprised wages and salaries and respective social security taxes in the amount of USD 228 thousand (2020: USD 245 thousand) and were included in general and administrative expenses.

As at 31 December 2021, there were no trade and other payables to other related parties included in remuneration to key management personnel (2020: nil).

Terms and conditions of transactions with related parties

Prices for related party transactions are determined on an ongoing basis.

Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2021

(in thousands of US dollars, unless otherwise indicated)

30. Contingencies and commitments

Tax matters

The Group performs most of its operations in Ukraine and therefore within the jurisdiction of the Ukrainian tax authorities. The Ukrainian tax system can be characterized by numerous taxes and frequently changing legislation which may be applied retroactively, open to wide interpretation and in some cases are conflicting. Instances of inconsistent opinions between local, regional, and national tax authorities and between the Ministry of Finance and other state authorities are not uncommon. Tax declarations are subject to review and investigation by a number of authorities that are enacted by law to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years, however under certain circumstances a tax year may remain open longer.

These facts create tax risks substantially more significant than typically existing in countries with more developed systems. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation and official pronouncements. However, the interpretations of appropriate authorities could differ and the effect on these consolidated financial statements could be significant, if the authorities are successful in enforcing their interpretations. No provisions for potential tax assessments have been made in these consolidated financial statements, except as disclosed in Note 27.

Transfer pricing

Ukraine

On 1 September 2013 the Law "On Amendments to the Tax Code of Ukraine (Regarding Transfer Pricing)" came into force (the "TP Law"). The TP Law introduces special TP reporting that must be filed to the tax authorities each year. Additionally, the tax authorities are entitled to request transfer pricing documentation about controlled transactions. The taxpayers must provide such documentation within one month of receiving this request.

Based on these legislative requirements, the transactions between the Group companies incorporated in Ukraine and related parties are subject to transfer pricing compliance and reporting. The Group companies incorporated in Ukraine should thus file transfer pricing report with the tax authorities and be ready to provide relevant transfer pricing documentation at their request.

Considering the recent implementation of these rules, there is no practice of their application by the tax authorities, there can be no assurance that the tax authorities will not have a different interpretation of the Group's approach and assess fines and penalties. In addition, the main difficulties in determining the controlled transactions and reporting is the lack of legislative criteria for determining normal prices for services and interest on loans received from related parties may lead to ambiguous definition of the value of these parameters and expose the Group to fines.

31. Fair value of financial instruments

As at 31 December 2021 and 2020, all financial instruments were measured at amortized cost.

Estimated fair values of financial instruments are determined with reference to various market information and other valuation methodologies as considered appropriate. However, considerable judgment is required in interpreting market data to develop these estimates. Accordingly, the estimates are not necessarily indicative of the amounts that the Group could realise in a current market situation.

Carrying values of cash and cash equivalents, and trade, other receivables and payables approximate their fair values due to short maturity of these instruments. Both short-term and long-term borrowings have fixed interest rates. UAH and EUR denominated loans are on demand and their carrying values approximate their fair values.

32. Financial risk management objectives and policies

The Group's main financial liabilities comprise loans and borrowings, lease liabilities and trade and other payables. Main purpose of these financial liabilities is to raise financing for the development of the Group's property portfolio. The Group has trade and other receivables, and cash that arise directly from its operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2021***(in thousands of US dollars, unless otherwise indicated)*

The Group has not entered into any material derivative transactions. It is the Group's policy not to trade in financial instruments. The Group's overall risk management program focuses on the unpredictability and inefficiency of the Ukrainian financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. Risk management is carried out by the Group's financial department. The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and foreign currency risk. The policies for managing each of these risks are summarized below.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade and other receivables) and from its financing activities, including cash in bank.

Group's cash is primarily held with major reputable banks located in Ukraine and Cyprus. Management continuously monitors financial health of the financial institutions where Group's cash is placed. Credit risk to the Group relates to default of the banks on their obligations and is limited to the balance of cash placed with the banks.

Credit risk attached to the outstanding balance of receivables is limited due to constant monitoring carried out by Group's management of the creditworthiness of corporate customers, and because the Group generally requires a prepayment from non-corporate customers. Also refer to Note 2 for description of operating environment, risks and economic conditions.

The Group's maximum credit risk exposure comprised:

	2021	2020
Cash and cash equivalents	99	60
Trade and other receivables	1 210	1 312
Receivables under the investment agreement	388	374
	<u>1 697</u>	<u>1 746</u>

Other exposures are monitored and analysed on a case-by-case basis and management believes that credit risk is appropriately reflected in impairment allowances recognised against assets.

Interest rate risk

As at 31 December 2021 and 2020, interest bearing liabilities have fixed rates (see Note 24), the reasonably possible changes in interest rates could not have a significant impact on profit or loss, or equity. The Group has not entered into any transactions designed to hedge against interest rate risk.

Liquidity risk

The Group's objective is to maintain continuity and flexibility of funding through the use of credit terms provided by suppliers and customers and bank loans and borrowings.

The table below summarizes the maturity profile of the Group's financial liabilities as at 31 December based on contractual undiscounted payments:

	Carrying amount	Contractual cash flows	Less than one year	More than one year
2021				
Loans and borrowings	969	969	969	-
Lease liabilities	1 838	1 838	1 838	-
Trade and other payables	8 896	8 896	8 896	-
Liabilities associated with assets held-for sale	2 666	2 666	2 666	-
	<u>14 369</u>	<u>14 369</u>	<u>14 369</u>	<u>-</u>
2020				
Loans and borrowings	616	616	616	-
Lease liabilities	2 810	2 810	2 467	343
Trade and other payables	9 230	9 230	9 230	-
Liabilities associated with assets held-for sale	2 572	2 572	2 572	-
	<u>15 228</u>	<u>15 228</u>	<u>14 885</u>	<u>343</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2021***(in thousands of US dollars, unless otherwise indicated)***Foreign currency risk**

The Group has transactional currency exposure that relates to monetary assets and liabilities denominated in foreign currencies and are attributable to general volatility in exchange markets. Such exposure arises from sales or purchases by the Group in currencies other than functional currency of the Group's entities. Also, in 2020 and 2019 significant foreign currency exposure concerned the payables due to one of the major Group's lender denominated in EUR (Note 25). The Group has not entered into any transactions designed to hedge against foreign currency risks.

The following table demonstrates the sensitivity to a reasonably possible change in the corresponding exchange rates, with all other variables held constant, of the Group's profit or loss before tax (due to changes in the carrying value of monetary assets and liabilities). The Group's exposure to foreign currency changes for all other currencies is not material.

	<i>Change in foreign currency exchange rates</i>	<i>Effect on profit or loss before tax</i>
2021		
Increase in EUR exchange rate	5.00%	332
Decrease in EUR exchange rate	(5.00%)	(332)
2020		
Increase in EUR exchange rate	5.00%	360
Decrease in EUR exchange rate	(5.00%)	(360)

Capital risk management

The Group considers debt and shareholders' equity as primary sources of financing. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders as well as to provide financing of its operating requirements, capital expenditures and further the Group's development strategy. The Group's capital management policies aim to ensure and maintain an optimal capital structure to reduce the overall cost of capital and flexibility relating to the Group's access to capital markets.

	2021	2020
Long-term borrowings	255	255
Short-term borrowings	714	361
Lease liabilities	1 830	2 621
Contract liabilities	659	828
Less cash and cash equivalents	(99)	(60)
Net debt	3 359	4 005
Total equity attributable to equity holders of the parent	3 288	3 358
Total capital and net debt	6 647	7 363
Gearing ratio	51%	54%

Management monitors on a regular basis the Group's capital structure and may adjust its capital management policies and targets following changes in its operating environment, market sentiment or its development strategy.

During the year ended 31 December 2021 there were no changes to the capital management policy of the Group.

33. Events after the reporting date

As of the day of issuance of these consolidated financial statements, the Group continues to develop the concept of an industrial cluster in the Chernobyl Exclusion Zone. The pilot project will include a gasification plant with a capacity of 300 MW, a chemical plant with a capacity of 400,000 tons of methanol and a thermal power plant with a capacity of 100 MW. The input raw material will be radioactive wood waste, which needs to be disposed of. This project worth more than 2 billion euros will be implemented on the terms of PPP (Public-private partnership). The Group is applying for the role of management company and the main contractor for the construction. The Group managed to draw attention to the project of the President of Ukraine, the Ministry of Environmental Protection, the Professional Association of Ecologists, the National Commission for Radiation Protection. A number of consultations and round

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**for the year ended 31 December 2021***(in thousands of US dollars, unless otherwise indicated)*

tables have been held, and preparatory work is underway at the legislative level.

On 24 February 2022, Russian Federation in cooperation and using the territory of Belarus began full-scale military invasion into Ukraine which is the continuation of the Russian-Ukrainian war which was started by Russia with annexation of Crimea at the beginning of 2014 and military operation in Luhansk and Donetsk regions since April 2014.

As a result of the full-scale invasion, the military actions took place in the Northern, Eastern and Southern Ukraine. The airspace was closed for the civil aviation; military and civil infrastructure are regularly subject to missile and artillery strikes. Consequently, on 24 February 2022, in accordance with the Decree of the President of Ukraine №64/2022 "On Introduction of Martial Law in Ukraine", the martial law was introduced in Ukraine for 30 days. Afterwards, the martial law regime was extended to November 2022.

During late March and April 2022 Ukraine regained control over Kyiv, Zhytomyr, Chernihiv, Sumy and parts of Kharkiv and Mykolayiv regions. In September 2022 Ukraine launched counteroffensive and secured liberation of almost the entire Kharkiv region and portions of Donetsk region which was followed in November 2022 by liberation of western part of Kherson region including the city of Kherson, thus effectively limiting the area of Russian military invasion to several regions in Southern and Eastern Ukraine.

Despite the martial law and ongoing hostilities in different regions of Ukraine the Group continues its activities in its main markets in Kyiv and Kharkiv regions which were effectively liberated by the Ukrainian Army at the date of issuance of these consolidated financial statements. Mentioned regions were significantly affected by the Russian invasion but the Group continued its business without suffering any major losses. The Group expects that the effect of the Russian invasion on its business will be limited.

As of today, the effect of the above mentioned events on the valuation of the Group's assets can not be determined.

On 22 December 2022 the Board of Directors of TMM Real Estate Development plc approved and authorized these consolidated financial statements for issue.